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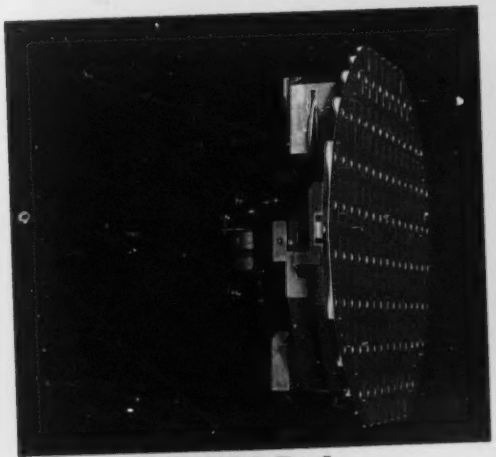
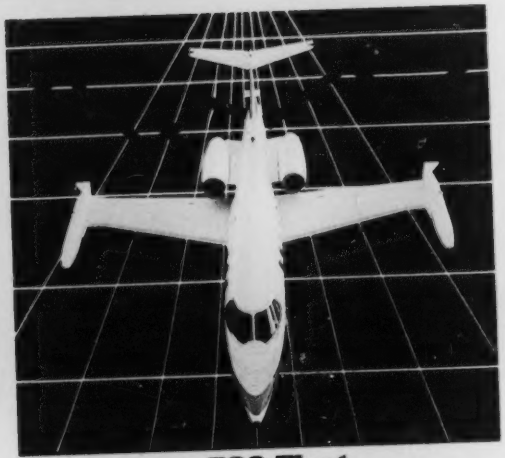
Business and commercial Aviation

Mobil Oil's Corporate Dash 8



Collins TWR 850 Radar



The Fortune 500 Fleet

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CLEARANCE DELIVERY

Business & Commercial Aviation serves as the center for several forms of communication with the business aviation community. Although the magazine is our primary focus, B/CA's staff is responsible for writing and producing *Show Dailies* at the NBAA Convention, the HAI Convention, the Paris Air Show, the Farnborough Air Show, the Hannover Air Show and the Singapore Air Show. We also produce the *FBO Information Pak,* which presents a wealth of user information about leading fixed base operations throughout the United States, as well as several special publications such as *Inside,* operational and management seminars such as Archie Trammell's Weather Radar Seminar and the NBAA-B/CA seminars on various management subjects.

Included within this issue of B/CA opposite page 66 is our latest offering, *Management Mobility Report.* Conceived by B/CA Publisher David W. Ewald, *Management Mobility* features interviews with five leaders of American industry concerning why they use business aircraft. We believe that you will find their reasons, frankly stated, to be fascinating testimonials to the work of business aviation.

In addition to sending the first issues of *Management Mobility* to all our subscribers, B/CA is distributing the publication to approximately 50,000 leading executives associated with about 36,000 companies. While some of those recipients operate aircraft, the

Keeping an Eye Out 72

We had best keep abreast of the changes that are likely to come about as our legislators attempt to fix the antiquated see-and-be-seen ATC system.

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MANAGEMENT MOBILITY

vast number of the executives who will receive the publication are not intimately familiar with business aviation.

We are optimistic, however, that after those businessmen and women see the positive statements from fellow executives in favor of business aviation, they too will explore its advantages.

B/CA is pleased to be in a position to spread the good news of business aviation to executives who have not yet experienced the benefits of greater management mobility via business aircraft.

THE COVER

Mobil's Corporate Dash 8 was photographed by Staff Editor Alan Staats. Collins supplied the picture of its TWR 850 radar. Alan Staats and B/CA's art department created the art for the *Fortune* 500 article.

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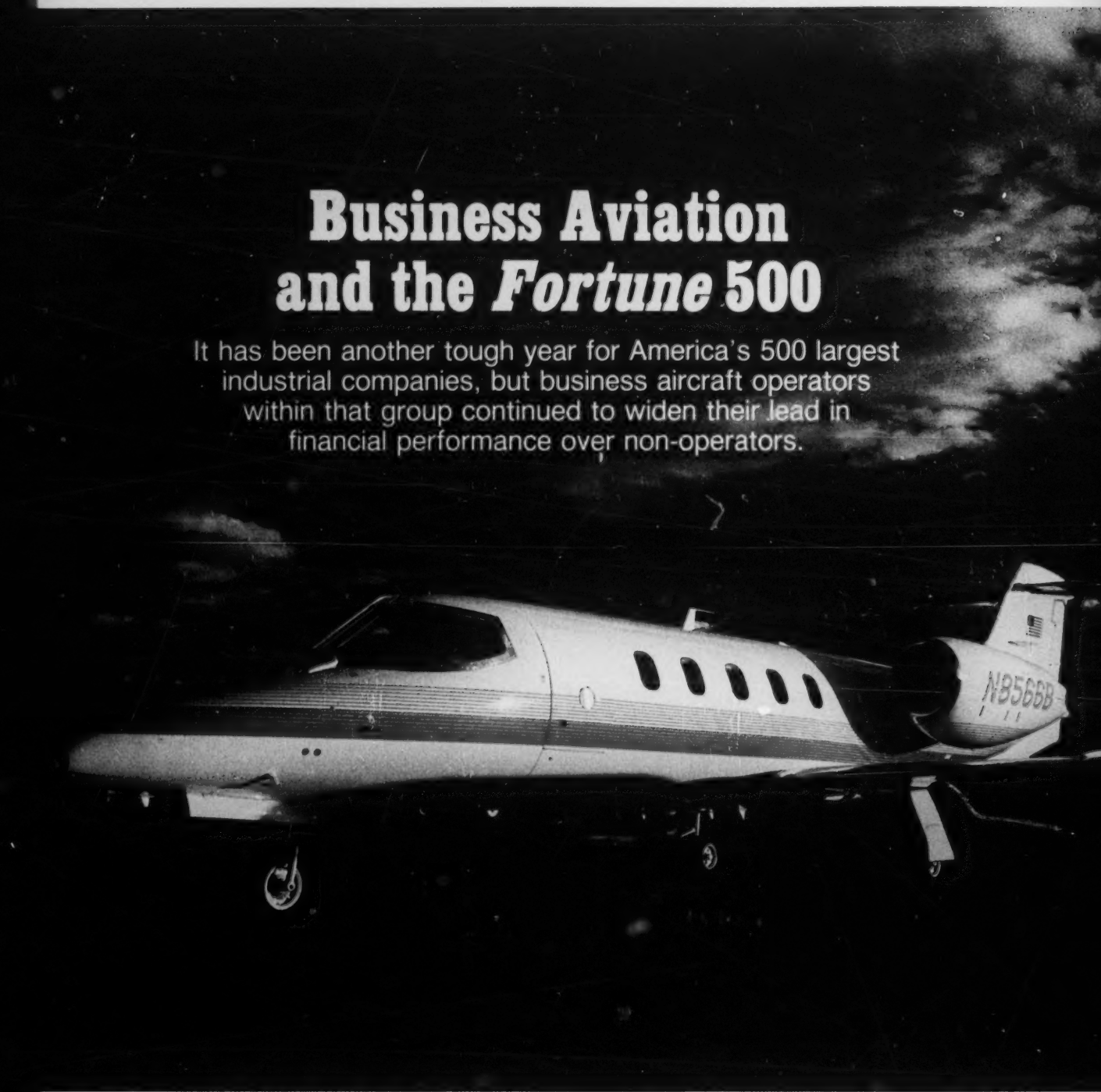
Business Aviation and the *Fortune* 500

It has been another tough year for America's 500 largest industrial companies, but business aircraft operators within that group continued to widen their lead in financial performance over non-operators.



by Fred George

In 1985, the standard measures of the financial performance of America's 500 largest industrial corporations were as flat as a Kansas prairie: Sales growth was a lackluster 2.8 percent, profits were down from 1984, and production assets were under utilized.

With such overall mediocre results, it might be easy to overlook the exceptional return to investors achieved by individual companies, many of which operate business aircraft. But before focusing on such top-flight performers, it may be helpful to put the standard indices of economic achievement in proper perspective.

It is readily understandable why Wall Street analysts attach great importance to gross sales, net income and stock appreciation: Their immediate income is tied to the confidence and con-

tinued investment by their customers. But during the 1980s, the best and brightest leaders in Corporate America have been restructuring their firms, merging them with other companies or prowling through the market for acquisition candidates. And for many companies, the dynamic reorganization of firms by top management has yet to result in a tangible payoff for investors.

Photography by Alan Staats

Undaunted in 1985, chief executives pressed on with stringent cost-containment and productivity improvements. Some conservative firms bought back large chunks of their own stock in order to push up the price per share. Other companies that feared hostile takeover attempts courted suitors for leveraged buy-outs. And yet another group went on the offensive, looking to buy weaker companies.

In the wake of the stress and strain within the ranks of America's 500 largest industrial corporations, chief executives have been obliged to operate their companies as tough, lean and competitively as possible. This back-to-basics approach might lead some observers to conclude that company aircraft would be among the first assets to be liquidated, especially shortly after mergers or acquisitions.

This has not generally been the case, although 21 business aircraft operating companies have been acquired by other firms in the last two years. According to statistics on the *Fortune 500 fleet supplied by Aviation Data Service, Incorporated (AvData) of Wichita, the dynamic restructuring of the nation's largest industrial corporations didn't have a major, adverse effect on the number of turbine aircraft operated in 1985 compared to the previous year. The Fortune* 500 fleet declined by only 10 in 1985, with 1,417 turbine aircraft being operated by those firms.

Although less than half of the *Fortune* 500 showed profit increases for 1985 and a record 70 companies lost money, most of the business aircraft operators seem to be following the lead set by companies such as Chrysler and Wickes, whose dynamics leaders Iacocca and Sigaloff elected to use company planes to help their firms avert economic apocalypse.

A Smarter Move Than Ever

The wisdom of operating business aircraft appears to offer a greater advantage today than it did last year, according to this year's AvData statistics. We note with considerable interest that the economic performance differential between operators and non-operators has *widened* compared to our December 1985 report.

Looking at Figure 2 it once again is apparent that aircraft operators achieved better performance than non-operators, although compared to last year non-operators marginally edged out their business flying competitors in one area: sales growth. But, when income and productivity are measured, the aircraft operators achieved healthy advantages over non-operators in three key areas: net income as a percent of sales (42.8 percent higher), net income per employe (78.0 percent higher) and net income as a percent of stockholders' equity (21.8 percent higher).

Figure 2 also reveals that business aircraft operators achieved 18 percent more income in terms of *return on assets* compared to non-operators, showing an unmistakably strong correlation between teaming company planes with other assets in order to produce a better *return on investment.*

But composite statistics regarding the economic performance of business aircraft operators among the !Fortune 500 tend to obscure the individual contributions of star performers specifically named by *Fortune* magazine. For example, two furniture manufacturers that operate business aircraft—Herman Miller (ranked 469) and Hon Industries (ranked 478)—surged into the ranks of the *Fortune* 500 last year. As shown in Figure 3, those two firms, plus one other business aircraft operator among the furniture makers, decisively outperformed the non-operator in the group—despite the latter firm's having more employes, more assets and more stockholders' equity than any of the former companies.

The shake-out in the computer industry continued last year, making the overall performance of the computer makers among the *Fortune* 500 poor. However, *Fortune* noted that IBM had the highest profits among any of the *Fortune* 500 companies, while Digital Equipment Corporation introduced two new VAX computers that were immediate hits. These two business aircraft operating companies helped the fliers within the computer and office equipment group soar into the black while the non-operators sank in a sea of red ink.

Unfortunately, not all business aircraft operators performed as well as the computer makers. Non-operators in 12 of the groups fared better than their business aircraft competitors, including such traditional strong classifications as oil companies, mining firms, transportation equipment builders and aerospace companies, many of which faced increased foreign competition and declining Middle Eastern and Latin American markets.

Even three of the four toy makers/sporting goods producers, all of which are non-operators, scored higher using the traditional benchmarks—income versus sales, number of employes or stockholders' equity—than did the sole aircraft operator in the group.

Getting Back On Top

Fortune surveyed chief executives this year and found that those in com-

mand of the nation's top corporations work longer hours honing the competitive edge of their firms than they did 10 years ago. At present, they put in 59 hours per week, spending more than 13 hours reading correspondence and reviewing reports and almost eight hours on the phone. Not surprisingly, a large part of the surveyed executives' time is devoted to staff meetings and visits to company facilities.

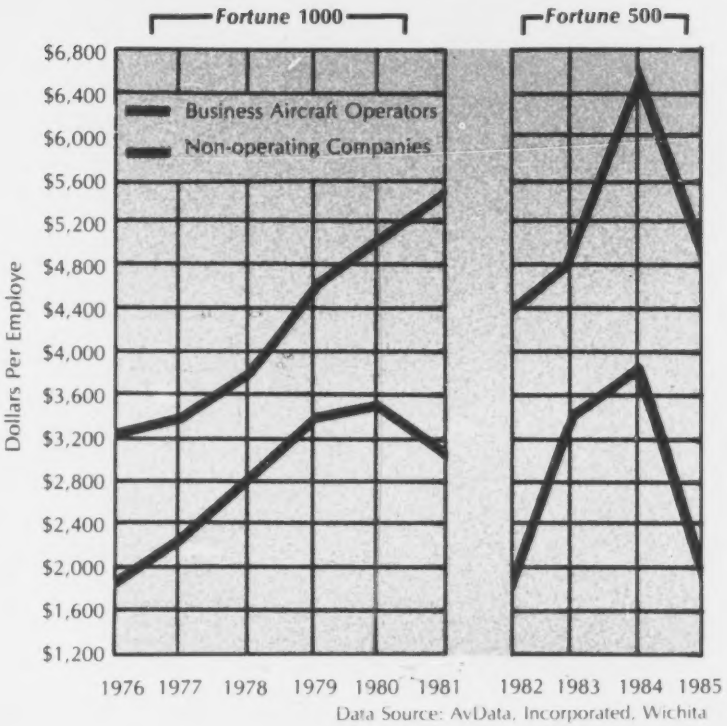
Contrary to the opinions of corporate raiders, these leaders typically own large amounts of their company's stock; thus their personal financial futures are at stake along with the well-being of other shareholders. Over half of the respondents own $1 million or more of their company's stock. Such personal equity helps explain why company heads overwhelming listed maintaining or boosting the bottom line as their highest priority. As a group, the median age of these executives is 58 (a year older than when they were last surveyed in 1976), and six respondents are 70 or older. The average tenure is eight years, but directors appear to be more willing to nominate an outsider to man the helm than in past years. Although promoting from within the organization is still the most common route to the top, many boards have been unable to find a suitable replacement for their CEOs when needed; one out of six top executives were with their companies less than one year prior to taking command. Mergers and acquisitions may account for part of such a trend. The most common route to the top appears to be through marketing or sales positions, with almost a third of the CEO respondents listing that avenue as their main career path.

All of these trends bode well for the future of business aircraft among the *Fortune* 500. In view of the increased time pressures on these more mature CEOs and in spite of radical cost-reduction measures, these industry leaders probably are even more unreceptive now to waiting for a connecting airline flight in some distant hub air terminal when they could have already arrived at their business appointment by using the company plane.

The *Fortune* 500 Fleet

Compared to our last report, the number of aircraft operating companies within the *Fortune* 500 shrank by 3.8 percent, which is a remarkably small number considering the unprecedented number of mergers and acquisitions of late. Actually, some companies with which we spoke are benefiting from such mergers and acquisitions. One such operator told us that the increased

Figure 1 Net Income Per Employe

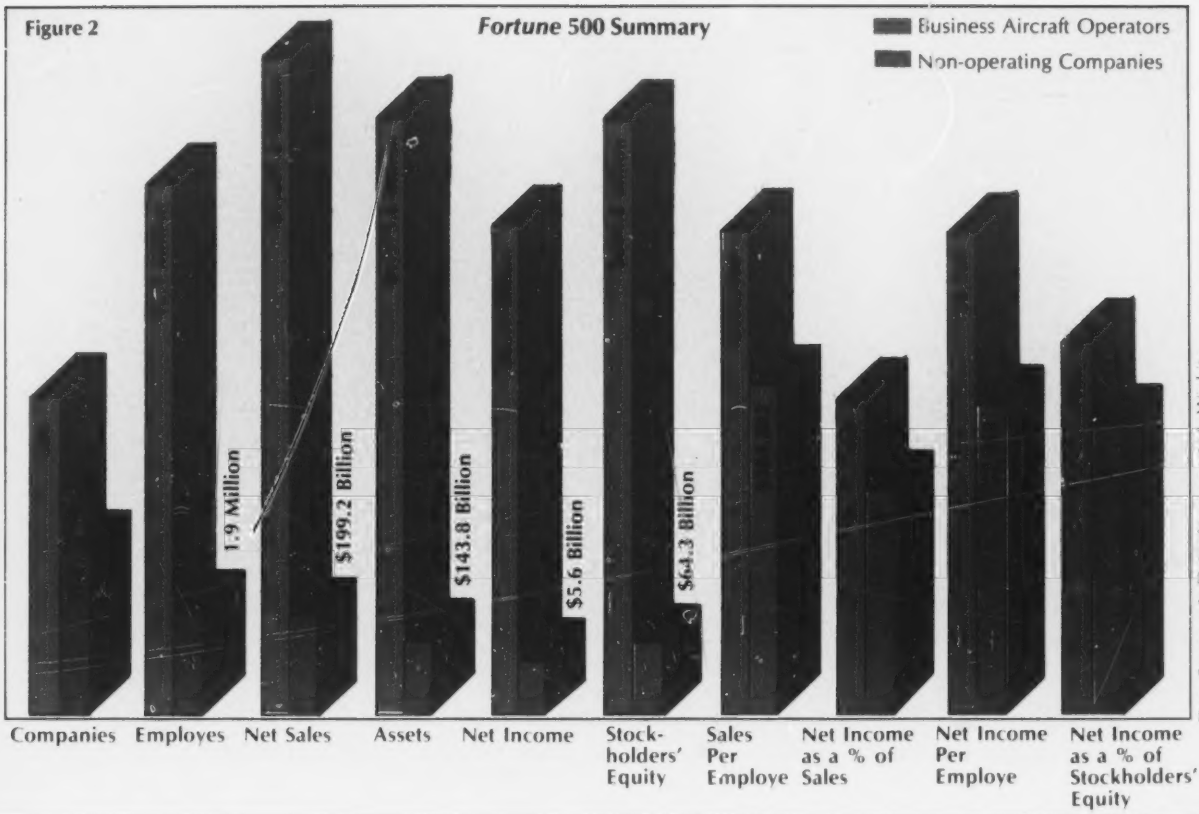


Data Source: AvData, Incorporated, Wichita

Figure 3

SIC	Groups	Companies		Aircraft Operated
		Operators	Non-operators	
10	Mining, Crude Oil Production	11	2	49
20	Food	31	25	94
21	Tobacco	3	1	21
22	Textiles	7	3	13
23	Apparel	5	6	13
25	Furniture	3	1	5
26	Forest Products	24	8	91
27	Publishing, Printing	12	7	39
28	Chemicals	24	18	94
29	Petroleum Refining	25	6	226
30	Rubber Products	8	4	28
32	Building Materials	15	3	37
33	Metals	15	10	43
34	Metal Products	17	10	35
36	Electronics	30	17	143
37	Transportation Equipment	2	2	3
38	Scientific and Photo Equipment	8	8	33
40	Motor Vehicles and Parts	12	4	59
41	Aerospace	14	1	183
42	Pharmaceuticals	13	5	42
43	Soaps, Cosmetics	6	3	18
44	Computers, Office Equipment	9	16	44
45	Industrial and Farm Equipment	26	6	73
46	Jewelry, Silverware	1	0	1
47	Toys, Sporting Goods	1	3	1
49	Beverages	6	3	29
	Average or Total	328	172	1,417

Figure 2



Data Source: AvData, Incorporated, Wichita

Sales Per Employe		Net Income as a Percent of Sales		Net Income Per Employe		Net Income as a Percent of Stockholders' Equity	
Operators	Non-operators	Operators	Non-operators	Operators	Non-operators	Operators	Non-operators
$292,706	$176,341	1.9	7.2	5,547	12,613	4.1	16.6
124,057	129,676	3.3	2.0	4,134	2,568	15.1	12.1
98,622	61,301	9.0	9.0	8,858	5,498	23.8	17.4
69,020	60,483	2.3	-0.1	1,557	-41	6.2	-0.4
49,125	70,578	4.0	2.0	1,958	1,394	13.2	15.3
85,809	58,671	6.3	2.2	5,404	1,317	20.5	8.0
135,166	128,387	3.9	3.6	5,275	4,643	8.4	8.1
107,413	89,270	8.4	9.0	9,064	7,993	18.3	21.3
134,516	147,696	1.8	3.4	2,374	5,006	4.2	9.6
448,456	436,047	3.3	0.2	14,871	868	10.2	2.2
84,577	99,089	1.1	1.0	939	953	3.5	8.6
103,432	95,457	4.7	-6.1	4,876	-5,846	11.7	-15.5
137,455	116,354	-2.9	-1.7	-4,022	-1,980	-9.6	-2.8
91,994	84,177	4.3	2.8	3,972	2,346	12.0	7.8
80,261	70,968	4.7	2.9	3,756	2,064	11.9	7.4
55,903	116,574	-0.2	4.1	-86	4,753	-0.8	18.0
82,842	77,154	5.3	4.3	4,400	3,308	10.3	8.3
126,686	119,217	4.4	1.3	5,559	1,583	16.4	8.8
93,311	79,887	3.0	7.8	2,802	6,224	5.8	17.9
92,466	96,210	10.2	11.4	9,412	11,004	16.0	23.4
143,880	208,702	3.0	2.1	4,373	4,433	10.3	8.3
97,169	93,749	9.7	-1.4	9,434	-1,333	16.3	-3.7
89,660	91,477	0.7	2.0	611	1,826	1.7	4.4
61,817	0	7.2	0.0	4,432	0	19.1	0.0
96,394	96,955	2.5	8.6	2,368	8,292	13.2	36.3
108,923	109,231	7.6	7.7	8,323	8,388	18.8	19.1
$132,497	**$104,881**	**4.0**	**2.8**	**$5,268**	**$2,959**	**10.6**	**8.7**

Data Source: AvData, Incorporated, Wichita

volume of flight operations will make his company acquire more aircraft in 1987; a second firm upgraded from a light jet to medium jet; and a third company added a heavy jet to its fleet. Overall, the size of the *Fortune* fleet decreased by only about 0.7 percent. But the value and age of those aircraft is improving.

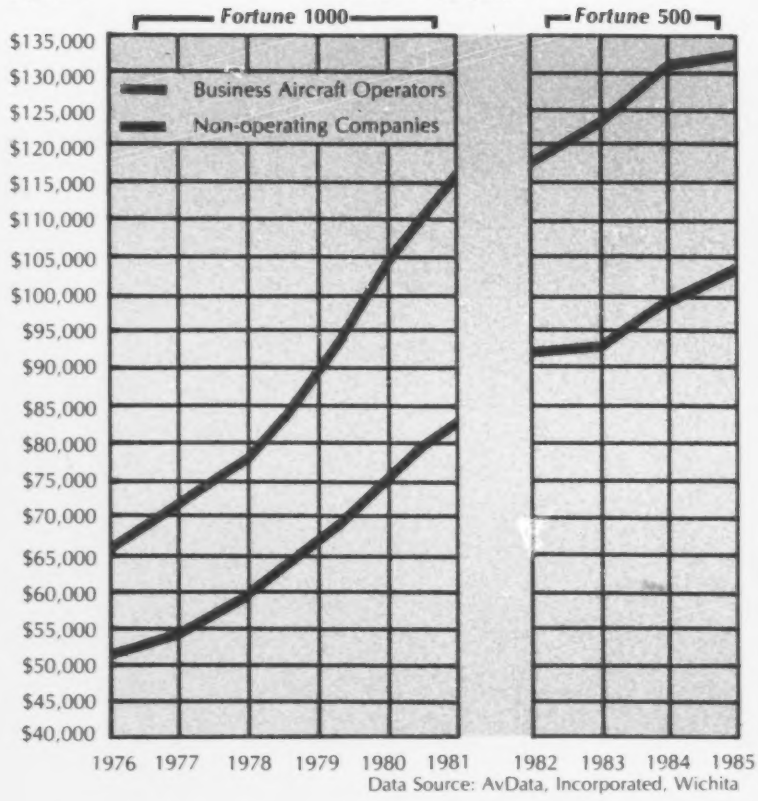
According to AvData, the median vintage of the turbine fleet is now 1978, while the average value has increased by 6.4 percent to $3.02 million per aircraft. Such a rise in the average value of each business aircraft continues the trend of last year's increase of about $200,000 per unit.

Seventy-five of the companies have single-aircraft flight operations, while 80 firms operate two aircraft. Of the 175 other companies, 28 have fleets of 10 or more. The largest turbine fleets (46 aircraft) are operated by Allied-Signal and Chevron, which operates 31 helicopters.

Sharp-eyed readers will note that there has been a significant decline in the number of aircraft when comparing the 1986 report to last December's report. However, last year there were 250 piston-powered aircraft in the tally, which are not included in this year's turbine-only list. As a result of this new method of counting aircraft, more *Fortune* 500 companies operate Gulfstream aircraft (127) than any other make, with Beechcraft in second place (102) and Cessna a close third (100).

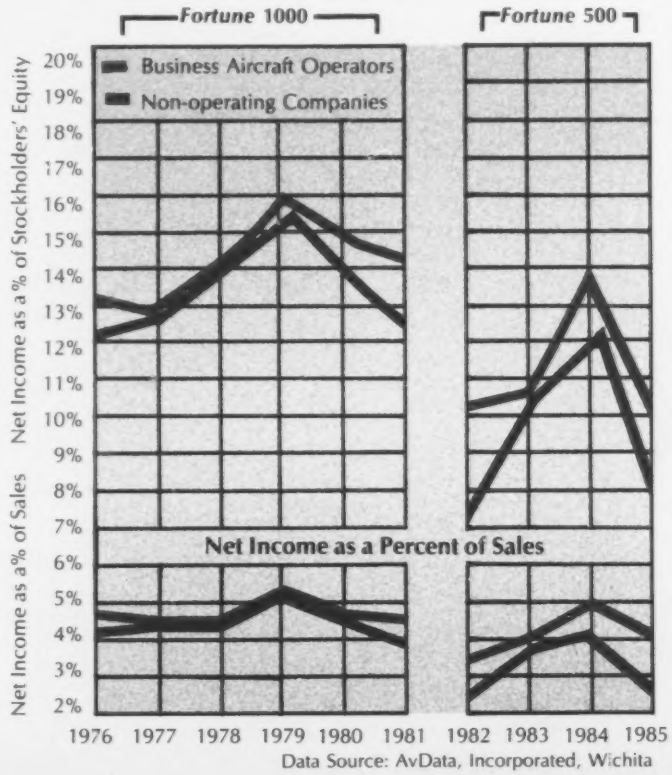
In gross numbers of turbine aircraft, the clear leader within the *Fortune* 500 is again Gulfstream with 215 aircraft, amounting to an impressive 15.2 percent of the fleet. Beech and Cessna are in close competition for second place with 171 and 170 aircraft, respectively. Of the 177 helicopters operated by the *Fortune* 500, more than half are Bells (94). Within the 26 standard industrial classifications, the largest number of *Fortune* companies operating business aircraft are the food processors (31), followed closely by the electronics companies (30). Other substantial numbers of aircraft operators are found among forest-product firms, chemical companies, oil refiners and industrial equipment makers. Next year may well be a turning point for the *Fortune* 500 and the business aircraft industry. Rid of unproductive assets and trimmed down to better match consumer demand, the *Fortune* 500 is ready to battle with all comers in both domestic and overseas markets. And if the 10-year trend continues, don't be surprised if the business aircraft operators within the group emerge with the lion's share of sales, profits and return on investment again in 1987. **B/CA**

Figure 4 **Sales Per Employe**



Data Source: AvData, Incorporated, Wichita

Figure 5 **Net Income as a Percent of Stockholders' Equity**



Data Source: AvData, Incorporated, Wichita